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14 December 1948

INTELLIGENCE MEMORANDUM NO. 99

SUBJECT: Breadgrains in the Soviet Union, Europe, Middle East,
and Manchuria

SUMMARY¹

The 1948 breadgrain (wheat and rye) harvest in the Soviet Union and in the Eastern European Area under Soviet domination is estimated at 72.1 million metric tons, or an increase of 11.4 million tons (19 percent) above the 60.7 million tons produced in 1947, but was only 85 percent of average production during the prewar period 1935-1939. Breadgrain production in Western Continental Europe (excluding Spain and Portugal) during 1948 is estimated at 25.5 million metric tons, or an increase of 8.4 million tons (49 percent) above the 17.1 million tons produced in 1947, and was 93 percent of average production during the 1935-39 prewar period. The relatively larger increase in production during 1948 in Western Europe than in Eastern Europe was attributable in part to more favorable weather conditions in the West.

¹ World breadgrain production in 1948 is estimated at 213.0 million metric tons which is about 11 percent greater than the 1947 production of 191.4 million metric tons and about 3 percent greater than average prewar production of 206.3 million tons during 1935-39.

The world exportable surplus of breadgrains in 1948-49 is expected to equal approximately 1947-48 exports of 26.6 million metric tons which compares with 21.0 million tons in 1946-47 and an average of 15.9 million tons in prewar years. Continuing high import requirements are needed in many areas to increase bread rations, to improve the quality of bread, and to provide for building up seriously depleted stocks.

NOTE: This working paper has not been coordinated with the intelligence organizations of the Departments of State, Army, Navy, and the Air Force.

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Increased 1948 breadgrain production in the Eastern European Satellite countries estimated at 6.1 million metric tons above the 1947 harvest will reduce if not eliminate the need of Soviet shipments of breadgrains to the Satellite countries. This will leave a relatively larger quantity of breadgrain at the disposal of the Soviet Government for use in increasing domestic consumption, for stockpiling, or for export to countries outside of the Iron Curtain area, depending upon the policies of the Kremlin. Increased 1948 production in Western Europe, supplemented with expected imports from the Western Hemisphere and Australia will permit the peoples of these countries to enjoy larger bread supplies of better quality than at any time since the outbreak of World War II.

In Spain and Portugal, the 1948 breadgrain harvest of approximately 4.4 million metric tons represents an increase of about 10 percent above the 1947 harvest. Breadgrain imports in 1948-49 are expected to be approximately the same as in the previous year, thus indicating a somewhat improved breadgrain position in 1948-49 for the Iberian peninsula.

The 1948 breadgrain harvest in the British Isles of approximately 2.8 million metric tons is an increase of about 30 percent above the 1947 harvest but is still a relatively small percentage of their total requirements. Imports in 1948-49 are expected to equal approximately those of 1947-48 which will provide an over-all increase in breadgrain supply for the United Kingdom and Ireland about 8 percent greater than during 1947-48.

In the Middle East, while the situation in Iran is unclear, excess breadgrain production in Turkey and Syria is estimated to be about 30 percent

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of the import expectancies of the other countries of the area. If these expectancies are realized, an over-all 1948-49 supply of breadgrains of at least 11 percent greater than that during 1947-48 is indicated.

Breadgrain (wheat only) production in Manchuria during 1948 is estimated at 572 thousand metric tons which is an increase of about 5 percent above the 1947 production. Wheat, however, accounts for a fairly small part of the grain consumption in Manchuria and therefore is not indicative of the breadgrain situation.

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BREADGRAINS IN THE SOVIET UNION, EUROPE, MIDDLE EAST, AND MANCHURIA

INTRODUCTION

The following statement summarizes the breadgrain situation¹ in the Soviet Union, Europe, the Middle East, and Manchuria. Included are: (a) tentative production estimates for 1948 compared to prewar and 1947, (b) production expectancies for 1949 and 1950, and (c) production and trade data for the prewar period 1933-34 through 1937-38. This statement partially revises and supplements ORE 20-48, "Soviet and Satellite Grain," dated 2 August 1948, which gives an analysis of the grain situation in the Soviet Union and specified areas under Soviet influence during prewar years, 1946, 1947, and production expectancies in 1950, 1955, and 1960.

The data in the attached tables are summarized by individual countries and by groups of countries so that area comparison can be made readily. Production expectancies for 1949 and 1950 are based on the assumptions that normal weather conditions will prevail and that none of the countries included in this report will be overrun by military action or experience internal revolutionary disturbances.

The five-year period 1935-39 is generally accepted as a reference prewar base period and has been used in this statement for making production comparisons. In the comparisons included in Tables I and II, average breadgrain production for 1935-39 has been given an arbitrary value of 100 and production or production expectancy in subsequent years has been expressed as a percentage of the base period. This method of indicating production

^{1/} A similar statement covering the 1948-49 situation of barley, oats, and corn will be issued as soon as estimates are available.

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in relationship to prewar levels does not take into account changes in population. In most of the countries included in this statement, the total population has shown significant net increases since the prewar reference period.

Trade data are included for 1933-34 through 1937-38, except as noted in the tables, which is the latest five-year prewar period for which comparable data on international trade in grains are available.

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SOVIET ZONE OF INFLUENCE

RUSSIA

Preliminary estimates indicate that the 1948 wheat production in the Soviet Union may reach 25.2 million metric tons (garnered grain), or 24 percent greater than the 20.3 million metric tons estimated to have been garnered from the 1947 production. Although the 1948 wheat crop is estimated to be about 5 million metric tons greater than that of 1947, it is still only about 75 percent of the average production of 33.7 million metric tons during the five-year period 1935 through 1939. (See Table I.)

The increase in wheat production in 1948 was owing largely to an increase in acreage (chiefly spring wheat) and to favorable weather conditions in certain areas, particularly in the Black Sea littoral where the bulk of grain exports normally originates. On the other hand, a drought adversely affected yields in the spring wheat area in the middle and lower Volga where much of the increased acreage took place. The situation in the Siberian spring wheat area is as yet not clear and later information may modify the foregoing estimates.

The Soviet rye crop in 1948 was about the same as that of 1947, perhaps somewhat less, and has been tentatively placed at 23.0 million metric tons in 1948 as compared with 23.3 million metric tons in 1947 and with a 1935 through 1939 average of 22.5 million metric tons.

The Soviet government made strenuous efforts in 1948 to increase grain collections which, by the end of October (taking all grains into consideration), exceeded collections made up to the same date in 1947 by more than 3.0 million metric tons. Statements in the Soviet press indicate that wheat constitutes the larger part of this increase in collections. While total increases in

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collections from the 1948 production have not as yet been indicated, it is highly probable that the Soviet government will have at its disposal materially larger grain supplies than during the consumption year 1947-48.

During the year which ended 30 June 1948, exports of all grains from the Soviet Union totaled approximately 2.5 million metric tons, of which about two-thirds were breadgrains. Exports plus commitments totaled about 3.5 million metric tons, leaving approximately 1.0 million metric tons to be fulfilled by shipments during the current (1948-49) marketing year. The extent to which these unfulfilled commitments will be met, as well as the disposition of additional grain for increased domestic consumption, stockpiling, and exports, will depend upon the Soviet government's unpredictable policies.

THE SATELLITES

The 1948 wheat production in the Satellite Countries has been tentatively estimated at 12.0 million metric tons or 46 percent greater than the 8.2 million metric tons estimated to have been harvested in the very poor 1947 season.¹ The 1948 production is, however, 13 percent below the average production of 13.8 million metric tons during the five-year period 1935 through 1939.

Satellite rye production in 1948 has been tentatively placed at 8.7 million metric tons as compared with 6.4 million metric tons in 1947 and an average of 10.6 million metric tons during the five-year period 1935 through 1939.

Improved breadgrain production has been reflected in increased bread rations since 1 August 1948 in Bulgaria, Rumania, and Yugoslavia. Similar action is

^{1/} Drought conditions adversely affected grain in Bulgaria, Czechoslovakia, Hungary, and Rumania. Although unfavorably affected, Finland, Poland, and Yugoslavia suffered to a less degree.

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contemplated in the other Satellite countries. Improvement in the quality of bread has been or is being made.

During the consumption year which ended 30 June 1948, a total of approximately 1.6 million metric tons of grains were shipped from the Soviet Union to the Satellite countries. During 1948-49, both Finland and Czechoslovakia will require imports of breadgrains, but since the other Satellites may be more than self-sufficient in breadgrains, these imports may well be made through inter-Satellite trade.

SOVIET ZONE OF GERMANY

The Soviet Zone of Germany produced approximately 1.2 million metric tons of wheat in 1948 as compared with approximately 0.9 million tons in 1947 and with a prewar average approximated at 1.6 million metric tons. Rye production has been tentatively placed at 2.0 million metric tons in 1948 compared with 1.5 million tons in 1947 and with a prewar average of 2.2 million metric tons. During the prewar period 1933-34 through 1937-38 the Soviet Zone of Germany produced an excess of breadgrains estimated at 0.3 million metric tons of wheat and 0.2 million tons of rye.

Conclusions.

In the total area of the Soviet Union, the Eastern European Satellite Countries and the Soviet Zone of Germany, an estimated 1948 breadgrain production of 72.1 million metric tons indicates an increase of 11.4 million metric tons (19 percent) above the 60.7 million metric tons estimated to have been produced in 1947. The 1948 production, however,

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is still 12.3 million metric tons (15 percent) below the average production of 84.4 million metric tons during the five-year period 1935 through 1939.

Much of the 1948 increased production will be utilized domestically, particularly in the Satellite Countries. With a substantial increase, however, in the quantity of wheat at the disposition of the Soviet government, and with the demand by the Satellite Countries drastically reduced or eliminated, more Soviet grain could be made available to Western Europe or other deficit areas in 1948-49 than was offered during 1947-48. The quantity of Russian breadgrain that could be made available might reach, or even exceed, 1.5 million metric tons, provided that Soviet policy dictates exporting rather than stockpiling or materially increasing home consumption.

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WESTERN CONTINENTAL EUROPE (Excluding Spain and Portugal),

The 1948 production of wheat in Western Continental Europe (excluding Spain and Portugal) is tentatively estimated at 20.1 million metric tons, or 52 percent more than the 1947 estimated production of 13.2 million metric tons. This 1948 production estimate is still 6 percent below the average production of 21.4 million metric tons of the five-year period 1935 through 1939. (See Table II)

The 1948 rye production in this area is similarly estimated at 5.4 million metric tons, or 38 percent more than the 1947 estimated production of 3.9 million metric tons, but is still 13 percent below the average of 6.2 million metric tons harvested during the five-year period 1935 through 1939. The increased production of wheat and rye in 1948 was largely attributable to an exceptionally favorable combination of weather conditions attended by high yields per acre and some increase in acreage planted.

During the prewar period 1933-34 through 1937-38 (the latest period for which comparable trade data are obtainable) Western Continental Europe (excluding Spain and Portugal) imported (net) 6.7 million metric tons of breadgrains (wheat and rye) which, together with 27.4 million metric tons of indigenous production, indicates a total supply for all uses of 34.1 million metric tons.

During 1947-48 the exporting countries of the world shipped to this part of Western Europe about 8.0 million metric tons of wheat as grain, the equivalent of 3.1 million metric tons of wheat in the form of flour and 0.7 million metric tons of rye, totaling 11.8 million metric tons

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of breadgrains to supplement indigenous production estimate at 17.1 million metric tons, indicating an over-all total supply of 28.9 million metric tons. The prewar supply for a considerably smaller population was 34.1 million metric tons. Stringent bread rationing was required during 1947-48 in all European countries because of the acute shortage of breadgrain supplies.

The 1948 production of wheat and rye has been tentatively placed at 25.5 million metric tons. It is expected that during the consumption year 1 July 1948 to 30 June 1949, the five principal exporting countries ^{1/} will be in a surplus supply position sufficiently favorable to ship to Western Continental Europe (excepting Spain and Portugal) grain and flour equivalent to about 9.8 million metric tons. If the foregoing estimates approximate reality and expected shipments from exporting countries materialize, this western group of countries should have some 35.4 million metric tons of breadgrains available for utilization during 1948-49 which should give their populations the most nearly adequate bread supply since the outbreak of World War II.

The favorable breadgrain situation indicated above will be made possible, not only by increased indigenous production and the fact that the United States, Canada, and Australia are in a position to supply ERP countries (taken as a whole) with 90 percent of their total grain import requirements, but, also, because of substantial financing by ECA.

^{1/} United States, Canada, Australia, Argentina, and the Soviet Union.

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As a result of the prospective favorable breadgrain situation for the year 1948-49, most of the countries in Continental Europe have either abandoned bread rationing or have increased the quantity of the daily allowance while the quality of bread has been generally improved. Although restrictions as to the use of breadgrains for livestock feeding have been retained, there has been in certain countries an easing up on deliveries required of farmers.

The optimism throughout Europe with reference to breadgrain supply is based on the assumption of the continued availability of surplus supplies from exporting countries. Those countries which expect to import supplemental supplies will act in accordance with their ability to negotiate favorable barter agreements or to pay with hard or soft currencies. If such currency payments or other exchange arrangements cannot be negotiated, or surplus supplies of grain are withheld from the market for political or other reasons, some countries may have to curtail their present programs.

Expectancy.

It is expected that, barring a combination of unfavorable weather conditions, and assuming continuation of ERP Ait, the 1949 production of breadgrains in Western Continental Europe (excepting Spain and Portugal) may equal or exceed somewhat that of 1948. If there is no interruption of the recovery program, it is possible that by 1950, the harvest of breadgrains will approach the average prewar level.

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SPAIN AND PORTUGAL

The 1948 production of wheat in Spain and Portugal has been tentatively estimated at 3.7 million metric tons or 10 percent greater than the 3.3 million metric tons estimated to have been harvested in 1947. The 1948 production is still 28 percent below the average harvests of 4.7 million metric tons during the five-year period 1935 through 1939.

The 1948 production of rye, estimated at 673 thousand metric tons, is 11 percent greater than the 607 thousand metric tons estimated to have been harvested in 1947 and 12 percent greater than the average production of 602 thousand metric tons during the five-year period 1935 through 1939.

During the prewar period 1933-34 through 1937-38, Spain and Portugal produced an average of 5,480 thousand metric tons of bread cereals and imported 87 thousand metric tons, indicating a total supply for all uses of 5,567 thousand metric tons.

In 1947-48 overseas countries shipped to Spain and Portugal 655 thousand metric tons of wheat as grain to supplement an estimated indigenous production of 3,951 thousand metric tons of wheat and rye, indicating a total supply of breadgrains for all uses of 4,606 thousand metric tons.

With a 1948 breadgrain production tentatively estimated at 4,347 thousand metric tons, Spain and Portugal expect shipments from surplus producing countries totaling 633 thousand metric tons of wheat during the

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period 1 July 1948 to 30 June 1949, indicating an over-all supply of 4,980 thousand metric tons of breadgrains for the 1948-49 consumption year.

Expectancy.

During the next two years, some improvement in the agricultural potentials of Spain and Portugal is to be expected, but it is improbable that the prewar level of production of more than 5 million metric tons will be reached by 1950.

UNITED KINGDOM AND IRELAND

The 1948 production of wheat in the United Kingdom and Ireland has been tentatively placed at 2,817 thousand metric tons which is 30 percent greater than the 2,170 thousand metric tons estimated to have been produced in 1947 and 48 percent greater than the average production of 1,906 thousand metric tons during the five-year period 1935 through 1939. (See Table II)

Rye production in 1948 has been tentatively placed at 52 thousand metric tons or 93 percent greater than the 27 thousand tons harvested in 1947 and 333 percent greater than the average production of 12 thousand metric tons during the five-year period 1935 through 1939.

During the prewar period 1933-34 through 1937-38, the United Kingdom and Ireland imported 6,071 thousand metric tons of wheat, rye, and flour in terms of grain to supplement an indigenous production of only 1,843

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thousand metric tons, indicating a total supply for all uses of 7,914 thousand metric tons.

During 1947-48, overseas countries shipped to the United Kingdom and Ireland 4,402 thousand metric tons of wheat as grain and flour equivalent to 1,170 thousand metric tons of wheat as well as one thousand tons of rye, or the equivalent of 5,573 thousand metric tons of breadgrains to supplement an indigenous production estimated at 2,197 thousand metric tons, indicating a total supply of 7,770 thousand metric tons for all utilizations.

The 1948 production of wheat and rye in the United Kingdom and Ireland, as indicated above, approximates 2,867 thousand metric tons. It is expected that during the year 1 July 1948 to 30 June 1949 Canada, Australia and some other countries will ship to the United Kingdom and Ireland 5,508 thousand metric tons of breadgrains, indicating a total supply of 8,375 thousand metric tons.

Expectancy.

During the next two years, the agricultural potential in the United Kingdom may increase somewhat, while that in Ireland will probably tend to decline. The production in the area as a whole may be expected to remain well above the prewar average.

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MIDDLE EAST

The 1948 production of wheat in the Middle East has been tentatively estimated at 8,598 thousand metric tons or 12 percent greater than the 7,447 thousand metric tons estimated to have been produced in 1947. The 1948 estimated production is 5 percent greater than the average production of 8,116 thousand metric tons during the 5-year period 1935 through 1939. (See Table A or appendix I.)

Turkey is the only country in the Middle East that produces rye. In 1948 the Turkish rye production is tentatively placed at 394 thousand metric tons which is 3 percent greater than the 381 thousand metric tons estimated to have been produced in 1947 and 9 percent greater than the average production of 363 thousand metric tons during the 5-year period 1935 through 1939. (See Table B of Appendix I.)

During the prewar period 1934 through 1938 (calendar years) the Middle East produced an average ^{of} 8.1 million metric tons of breadgrains (wheat and rye) and exported (net) an average of 0.1 million metric tons indicating a total supply for all utilization of 8.0 million metric tons.

With a combined production of 7,828 thousand metric tons of breadgrains in 1947, the Middle East imported (net) about 727 thousand metric tons indicating a total supply of 8,555 thousand metric tons for the consumption year 1947-48.

With a relatively favorable harvest in Turkey the 1948 combined production of breadgrains (wheat and rye) in the Middle East has been

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placed at about 9.0 million metric tons. Turkey and Syria are expected to have excesses available for export of approximately 250 thousand metric tons. The unspecified alleged import requirement of Iran seems to be the result of factors other than shortage of production. Other Middle East countries have indicated import expectancies totaling 675 thousand metric tons which includes 350 thousand tons for Egypt.

Expectancy.

During the next two years it is expected that Lebanon will continue to attempt to free itself from dependence on Syria for wheat and both Palestine and Transjordan will tend to increase production. Turkey is not expected to duplicate in 1949 the unusually high production of 1948. With normal weather conditions, the production of breadgrains in the Middle East as a whole may be less next year than in 1948 though some improvement may be expected in 1950 influenced somewhat by ECA assistance to Turkey.

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MANCHURIA

The 1948 production of wheat has been tentatively set at 572 thousand metric tons or 5 percent more than the 544 thousand metric tons produced in 1947. The 1948 approximate production is about 42 percent below the average production of 981 thousand metric tons during the 5-year period 1935 through 1939. No rye is grown in Manchuria. (See Table A of Appendix I.)

During the prewar period 1934 through 1938 (calendar years) Manchuria produced an average of 897 thousand metric tons of wheat and imported (net) about 390 thousand metric tons indicating a total supply of 1,287 thousand metric tons.

There are no indications of any imports or import expectancies to supplement the low production of 1947 and 1948.

Expectancy.

During the next two years it is expected that Manchuria will attempt to increase somewhat its indigenous wheat supply but it is improbable that the over-all supply will have reached the prewar level by 1950

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